

VSAC Finance Committee Meeting

May 22, 2023
2:30 p.m.

Boardroom, VSAC Offices
10 East Allen Street
Winooski, Vermont 05404

Attendance:

Committee Members Present: John McSoley, Caleb Elder, Clarence Davis, Mike Pieciak

Committee Members Absent: Michael Smith (Chair)

Other Board Members Present: Dodie Mitchell

Staff: Scott Giles, Mike Stuart, Marilyn Cargill, Tom Little, Patrick Leduc, Bruce Hicken, Laurie Oliver, Jodie Ducharme

Chair *Pro Tempore* John McSoley called the meeting to order at 2:35 p.m. With a quorum established, the Committee proceeded with the agenda.

Approval of Minutes

Upon a motion made by Mike Pieciak and seconded by Clarence Davis, the Committee Members voted to ratify the vote made to approve the November 21, 2022 minutes, as presented at the January 23, 2023, meeting, and to approve the Finance Committee Minutes of January 23, 2023, and April 17, 2023, as presented.

Public Comment

There were no public comments given during the public comment period.

Standing Reports Discussion

Mike Stuart walked the Committee through the previously distributed Income Statement and Balance Sheet, and VSF Endowment Report and responded to Committee member questions. In the Income Statement, Mike noted a year-over-year increase in revenue for items that are interest rate sensitive, including interest on investments and interest on student loans with quarterly variable rates.

Bruce Hicken reviewed the Variance Analysis for the ten months ending April 30, 2023, highlighting that year-to-date average loan principal balances are materially under budget by 9.6% as a result of FFELP loans paying down faster than anticipated (largely due to the Public Service Loan Forgiveness program), new loan originations coming in under budget, and prepayments on private loans.

Mike Stuart noted on the New Loan Volume Reports that, for the 2022-2023 academic year, both the student and parent loans came in under target volume primarily because of the continuation of federal funds made available to Vermont students pursuing post-secondary education.

FY24 Budget Presentation

Mike Stuart introduced the 2024 Fiscal Year budget, defining the corporate and operating budget assumptions provided in previously distributed materials.

Corporate Budget Assumptions

- Originate \$45 million student and parent Advantage private loans
- Originate up to \$2 million in new “in-school” refinance loans
- Key debt indices (Libor, SOFR, etc.) remain level
- No material change in default trends
- Returns on liquid investments and cash will average 4.00%
- No projected market returns for VSF endowment

Operating Budget Assumptions

- Increase in service draw level for the 2012 Master Trust from 95bps to 105bps
- FFEL portfolio continues to amortize at 17%
- Private loans originated: \$45 million
- Private Refinance loans originated: up to \$2 million
- Interest rates remain unchanged throughout the year
- Funding merit payments and an increase to base salaries.
- Employee contribution, per participant, to health care increases 8%
- VT529 plan NAV increases by 10%

The Committee engaged in a conversation about the FY24 budget, during which the Executive Committee responded to member questions.

Upon a motion made by Clarence Davis and seconded by Mike Pieciak, the Committee Members voted unanimously to recommend the Board approve the adoption of the FY24 Budget Resolution, as presented.

Private Loan Originations and Funding

Mike Stuart directed the Committee’s attention to the previously distributed materials and gave an overview of the timing and results of the bond sale for the new loan product and responded to member questions. Mike also gave an overview of the new loan interest rates, announcing that relative to the federal Parent PLUS loan, this year we have our lowest-priced, most competitive rate that we have ever had.

Other Business

There being no other business, the meeting adjourned at 3:56 p.m.

Respectfully submitted,
Michael Stuart, Assistant Secretary